SUMMARY OF NOTES USED BY MARVIN L. MCLAIN, ASSISTANT SECRETARY OF AGRICULTURE, AT OKLAHOMA STATE CONFERENCE OF COUNTY COMMITTEEMEN AND OFFICE MANAGERS AT SKIRVIN HOTEL IN OKLAHOMA CITY, THURSDAY EVENING, FEBRUARY 25, 1960.

2/25/60
Summary of notes
Oklahoma State Conf.
of County Committeemen
& Office Managers
Oklahoma City.

I sincerely welcome the invitation to attend and speak at your State Conference. It's my pleasure to become better acquainted with you and to listen to your problems. It is also my wish that I can better help you understand -- a little about the current condition of agriculture nationally -- then some of the real problems facing all of us in agriculture -- and also a little about the way we should move with our programs for agriculture.

Believe me when I say that you people are the key people who help carry out our Federal action programs for farmers. You are the link between the U.S.D.A. and the farmers. If you do a good job -- programs are understood and are of benefit. If you don't do your job -- Federal programs are of little value.

Now a little about the current condition of agriculture nationally.

Our nation's farm productivity is surging forward with great vigor in a irreversible and continuous technological revolution. This was never more evident than during 1958. Due in part to favorable weather, crop production climbed to a new peak -- 11 percent higher than the previous record. This huge production was achieved with the smallest planted acreage in 40 years. With good weather this production continued in 1959 and about equaled the 1958 output in total.

Although serious problems still confront us, the year 1959 was also one of substantial financial improvements for the big majority of the nation's farm families in many ways.

The standard of living on farms is the highest on record.

Farmers' equities are highest in history.

Per capita and per farm income are at or near record high.

SUMMARY OF NOTES USED BY MARVIN L. MCLAIN, ASSISTANT SECRETARY OF AGRICULTURE, AT NORTHWEST AREA CONFERENCE OF STATE A. S. C. COMMITTEEMEN IN DYCKMAN HOTEL, IN MINNEAPOLIS, MINNESOTA, ON FEBRUARY 23, 1960.

I sincerely welcome the invitation to attend and speak at your Area Conference. It's my pleasure to become better acquainted with you and to listen to your problems. It is also my wish that I can better help you understand -- a little about the current condition of agriculture nationally -- then some of the real problems facing all of us in agriculture -- and also a little about the way we should move with our programs for agriculture.

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Statement of Marvin McLain, Assistant Secretary, U. S. Department of Agriculture, on H. R. 9664, before the Tobacco Subcommittee of the House Agriculture Committee, on February 3, 1960

In the past several years, it has been my pleasure to work very closely with the tobacco leadership of the Nation. I have been greatly impressed with the determination and sincerity of the tobacco people in their efforts to make the program work.

The Department has given widespread support in an effort to maintain and make the tobacco program sound. I would like to point out that we have recommended legislation or issued administrative regulations in addition to export promotion that has generally strengthened the overall tobacco program. Some of the more important actions that we have taken in the price-support and acreage-allotment and marketing-quota operations include the following:

(1) Compliance checking has been strengthened.

(2) The penalty for excess production has been increased to 75 percent of the previous year's average price.

(3) Credit has been eliminated for overplanting.

(4) During recent years of abnormal supply adjustment the full authority of the Secretary in increasing marketing quotas to avoid undue restrictions of marketings has been used.

(5) Increased administrative expenses have substantially strengthened the overall program.

(6) Certain varieties of flue-cured tobacco that produce a large proportion of undesirable leaf are being discouraged by heavy discounts under the price-support program.

(7) A direct attack has been made on the surplus problem by an expedited sales program including Public Law 480 and by means of barter. There have moved about 250 million pounds of tobacco through Title I of the P. L. 480 program and some 20 million pounds by barter.

STATEMENT OF MARVIN L. McLAIN, ASSISTANT SECRETARY OF AGRICULTURE, ON A SUPPLEMENTAL ESTIMATE FOR ADMINISTRATIVE EXPENSES, OVERSEAS SURPLUS AGRICULTURAL COMMODITY DONATIONS

n.d.

Statement... on suppl. estimate for admin. exp. overseas surplus agr. commodity donations

The Department of Agriculture strongly urges favorable action on the supplemental estimate of $1,000,000 to be used in the program administration, audit, and end-use checks of the Section 416 donations of surplus foods to non-profit voluntary agencies and intergovernmental organizations for assistance to needy persons in foreign countries.

The Department believes this program is a very effective component of our "Food for Peace" effort. Based as it is on a "people to people" concept, U. S. nongovernmental voluntary agencies have been able to bring U.S. surpluses directly to needy people in many countries around the world. This program also has been and will continue to provide a substantial outlet for our surpluses that cannot be sold. It has been particularly effective in constructively disposing of our surplus dairy products, notably non-fat dry milk.

This year in addition to dry milk, rice and cornmeal, the program overseas will provide an outlet for the equivalent of almost 27 million bushels of wheat--mostly in the form of flour.

A program of this size and importance to U.S. foreign relations, involving the total distribution of U.S. owned food through over 20 voluntary agencies to over 60 million people in over 90 different countries and dependent territories, cannot be carried out successfully without U.S. Government assistance and supervision abroad. The Department does not now have the administrative machinery overseas to do this job. ICA does have the basic structure with which it can, with relatively small additional funds, do an adequate job. In addition, we believe, without minimizing the importance of the surplus disposal aspects, that this program has very real foreign aid-foreign relations value and, as such, its overseas administration is a proper concern of ICA and the Department of State. The requested funds are necessary to insure that the foreign food donation program is carried out as intended.

SUMMARY OF NOTES USED BY MARVIN L. MCLAIN, ASSISTANT SECRETARY OF AGRICULTURE, AT MIDWEST AREA CONFERENCE OF STATE A. S. C. COMMITTEEMEN IN MARYLAND HOTEL, CHICAGO, ILLINOIS, JANUARY 28, 1960.

1/28/60
Summary of notes
Midwest Area
Conf. A.S.C.
Committeemen
Chicago.

I sincerely welcome the invitation to attend and speak at your Area Conference. It's my pleasure to become better acquainted with you and to listen to your problems. It is also my wish that I can better help you understand -- a little about the current condition of agriculture nationally -- then some of the real problems facing all of us in agriculture -- and also a little about the way we should move with our programs for agriculture.

Believe me when I say that you people are the key people who help carry out our Federal <u>action programs</u> for farmers. You are the link between the U.S.D.A. and the farmers. If you do a good job -- programs are understood and are of benefit. If you don't do your job -- Federal programs are of little value.

<u>Now a little about the current condition of agriculture nationally</u>.

Our nation's farm productivity is surging forward with great vigor in a irreversible and continuous technological revolution. This was never more evident than during 1958. Due in part to favorable weather, crop production climbed to a new peak -- 11 percent higher than the previous record. This huge production was achieved with the smallest planted acreage in 40 years. With good weather this production continued in 1959 and about equaled the 1958 output in total.

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UNITED STATES DEPARTMENT OF AGRICULTURE

11/19/59
Outlook for the swine industry, Nat. Swine Ind. Conf., Ames, Ia.

The Outlook for the Swine Industry

An address by Marvin L. McLain, Assistant Secretary of Agriculture, at the National Swine Industry Conference, Iowa State University, Ames, ~~Friday~~ Thurs. noon (CST), November 19, 1959.

I greatly appreciate the opportunity to attend this luncheon meeting of the National Swine Industry Conference. It is always worthwhile for a government official to get out from Washington to meet with farm and industry groups, but there are reasons for added pleasure in being with you today.

In the first place, this is home ground for me, and the subject matter of your conference is very close to my life-long interests. I was born and raised on an Iowa farm, graduated from college right here at Iowa State, and farmed in the State for years -- raising good market hogs in a general farming operation in Poweshiek County.

Since 1934, I have also been connected with farm program administration a good part of the time -- at county, State, and national levels. This has included work with corn-hog programs through the years. The problems of the swine industry have been of direct concern to me for a long time.

Another reason for being especially glad to be here is that this type of conference can go a long way in finding answers needed for continued development and progress. Unlike meetings which represent only certain phases of the business of growing and marketing hogs, yours is truly an "all-industry" conference. All segments are represented -- producers; farm organizations; technicians; research, education, and information services; feed and equipment manufacturers; and the processing and marketing agencies which get the final product to the consumer.

This sort of representation makes it possible to get a better understanding of each other's problems. This should be one of our primary objectives today,

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not only for the swine industry but also for all of agriculture. I need not emphasize the fact that agriculture is in a period of transition which has developed a lot of serious troubles. If we are to meet these problems on a sound basis, we must have a great deal of mutual understanding -- within the agricultural industry itself, and between agriculture and the rest of the national economy. Conferences like yours can take big steps toward this goal.

My assigned topic for this meeting is "The Outlook for the Swine Industry". Before discussing this general field, however, I believe it would be a good idea to review briefly some background facts which we should all keep in mind.

To begin with, let us recognize and be proud of the great importance of the swine industry. Although production is heaviest in the States of the area where we are meeting today, the industry is one of the most widespread of our agricultural endeavors. It represents more than 10 percent of all farm cash receipts, with the total reaching almost 3 and one-half billion dollars last year. A healthy swine industry is very important. It is important for the producer. It is important for those who process and market pork products. It is important for those who supply the goods and materials the farmers must have to produce. It is important for consumers. The impact is very wide.

We have traditionally had ups-and-downs in the industry -- including wide variations in price. I have personally sold choice market hogs all the way from less than 4 cents to as high as $30\frac{1}{4}$ cents a pound. Farmers certainly do not like those low prices. Others may be unhappy when prices shoot up too high. We should do all we can to increase stability and smooth out such extremes, continuing the progress already made in this direction. But there is no need for undue alarm when the hog cycle is passing through one of its frequent swings. We certainly should avoid panic-type proposals or "get well quick" schemes which could do the industry more harm than good. It is far better to keep our shirts

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on, make necessary adjustments, and work things out soundly.

I spoke about an agricultural transition. This is probably an understatement. Something more fundamental than that has been taking place. The statement in your program covering the purposes of this conference mentions changes of "near-revolutionary proportions" for the swine industry. I agree with that, and it applies to all of agriculture. Some call it a "scientific revolution"; others a "technological revolution". Within the lifetime of most of us at this meeting--- in fact, largely within the past 20 years -- there has been almost a complete change in agricultural methods and operations. It has been said that recent changes are greater than all those made before in generations.

These changes have required adjustments, some of which have been quite painful for a time. Adjustments are still being made. Thanks to good general economic conditions, and the ability of producers and the swine industry to adapt and change as necessary, the adjustments are being made this time with much less difficulty than in many past periods.

The important thing for us to keep in mind is that these changes must be faced realistically. We must adapt and adjust our thinking, and our appraisal of operations -- including those farm programs which have become obsolete as a result of the agricultural revolution.

In this connection, there is another fact of which I am sure you are aware. The swine industry and other phases of agriculture are integral parts of our total national economy. We cannot consider our own problems as separate and apart. Farming and its allied industries are dependent on other segments of our national life. They, in turn, are dependent to a large degree on us. No single unit in our economy can long advance at the expense of others. We prosper together, or we fail. There is no room for extreme "self-interest" in sound national planning.

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Now, let's take a brief look at some current developments which affect hogs directly. Because specialists at your meetings and workshop sessions will go into detail on many of these points, I will merely try to summarize the highlights.

First, the matter of feed supplies which are basic in hog production. Stocks of corn and other feed grains have built up steadily. For eight straight years, production has exceeded annual use. With the increase this last year, totals have reached very high levels.

As you know, this year's corn crop is an all-time record of 4 billion 400 million bushels -- up 600 million from 1958. Acreage increased, partly as a result of the release of several million acres which were in the acreage reserve of the Soil Bank last year. There was also a shift from other feed grains back to corn. Yields also were at a new record, estimated for "all corn" at 52.2 bushels in last week's crop production report. That technological revolution is still going on.

A cut in 1959 production of the other feed grains partially, but not entirely, offsets the increase in corn. It is expected that there will be an increase in the number of grain-consuming animal units, and the rate of feeding will remain high. Feed grain exports, which have increased in recent years, are expected to stay at high levels.

Striking a balance on these different factors -- and remembering that carryovers from former crops were large this year -- it now seems certain that feed grain supplies for the 1959-60 year will be larger than last year, both in total and in supply per animal unit. Prices are expected to average a little lower than the year before.

In short, there will continue to be abundant supplies of feed grains -- somewhat above last year's levels. Prices will probably be a little lower, principally for corn and grain sorghums. But no striking change in the overall

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feed situation is expected.

Hog production has been increasing for two years. The 1959 spring pig crop was up 12 percent from last year. In June, producer intention reports were for an 8 percent increase in the fall crop. Later reports from 10 Corn Belt States indicate that the fall increase will likely be less than that, reducing the number coming to market in the first half of next year. Latest estimates now are that the total of pigs saved in 1959 will be above 103 million— up more than 8 million from the 94.7 million last year.

Incidentally, I have heard that some people are suggesting that the new corn program is in some way responsible for the build-up in hog numbers. They point to the fact that acreage allotments have been dropped from the program. A little thought will show how ridiculous any such suggestion must be. The hogs that made up the increase of the past two years have been fed on corn produced in 1958 or earlier years -- under the old program. Further, only about one-seventh of the corn in commercial counties, and none in the noncommercial counties, was grown under allotment limitations even when the old program was in effect. Some folks apparently will go to great lengths in trying to explain the usual swings of a hog cycle.

There are some rather definite indications now that hog production will level off or turn down in 1960. In September, intentions reported from 10 Corn Belt States, where the majority of all hogs are produced, were for a reduction of 4 percent in the number of pigs farrowed in the first half of the spring season (December-February). Recently, about 40 percent of all spring farrowing has been in this December through February period.

Farmers themselves are apparently starting to make needed adjustments. We will not get estimates on total spring farrowing until December, and various factors can change the figures, but as of now the build-up seems to have been checked.

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Price-wise, developments of the past few months have been about what would be expected when hog production goes up materially. Hogs got a little below 13 dollars in October. For 1959 as a whole, the average is expected to be about $14.50 a hundredweight.

For the early months of next year, hog prices are expected to run a little lower than during the same period of 1959. This will reflect this year's big production, but the impact will be lessened considerably by the fact that farrowing this fall will apparently be less than indicated by last summer's estimates. Producers have also been smoothing out their farrowing patterns.

If the coming spring pig crop is down somewhat, as now seems probable on the basis of the early 10-State intentions report, hog prices for the last half of 1960 may be close to or a little higher than this year. It is a little early to be sure, but there are encouraging indications.

Competitive meats are important, of course, in the hog situation. It is expected that some increase in beef slaughter next year, along with large hog slaughter, will serve to "take the bloom off" cattle prices. No sharp break in prices is indicated, however, in the absence of drought or other unexpected developments. There will be some increase in sheep and lambs, but with no material effect on meat prices generally. Some reduction from this year in eggs and broilers is likely, tending to strengthen poultry prices somewhat.

Summing up the overall situation, as far as prices are concerned we are obviously in the low phase of a hog cycle. However, there are good indications that producers are working out from under the current situation -- as they always do if given the chance.

The whole situation is much better than some pessimists were expecting a little while ago. Their predictions have not been borne out, but it is obvious that we still need further adjustments to come fully into the clear.

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In making adjustments and promoting developments which can assure a sound future, there are steps which should be taken by every segment of the swine industry.

Producers can help themselves by continuing every effort to increase efficiency and lower production costs. They can also produce hogs of better quality in terms of market demand -- the meat-type hogs which consumers want. We have made progress in quality during the past decade. I understand that around 20 percent of the pig crop will now qualify as strictly meat-type, as compared with almost none 10 years ago. But there is still a long way to go in replacing the old-fashioned lard-type hog.

Producers can also continue the trend toward smoothing out their farrowing schedules, to insure a more even flow of pork to better meet consumer demand.

Possibly most important of all, hog raisers should use good judgment in planning the number of pigs they will produce. A more even supply from year to year would level out some of the wild price fluctuations which cause so much trouble. If hog cycles did not go so far up or so far down, everyone would benefit. The public would learn to consume greater quantities of pork at reasonable prices if increased supplies were offered gradually. Periodic price breaks could be minimized.

The trade can help in many ways. It can do everything possible to cut marketing costs and keep margins at reasonable levels. It can step up promotion and merchandising efforts even more. It can emphasize marketing on a merit basis, and increase the variety and attractiveness of pork products offered the consumer.

There are also things the Government can and should do -- as well as some it should not attempt. In the first place, State and federal agencies can push even harder on research and economic analysis to provide the facts

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needed as the basis for improvements and adjustments. The Government can cooperate in promotion efforts, take steps to increase exports, and, when necessary, buy some pork products for special distribution through school lunch and welfare outlets.

A good deal is already being done in these areas. During the four years from 1955 through 1958, exports of pork products and lard from the United States reached a total of more than 2 and one-quarter billion pounds, with a value of more than 350 million dollars. This represented from 25 to 30 percent of the total exports of all livestock, meat, and meat products in that period. Lard has recently been made eligible for export under the foreign currency provisions of Public Law 480, a move expected to add additional outlets during the months ahead.

Earlier in the fall, more than 18 million pounds of frozen ground pork were bought for school lunch use. Through November 12, more than 32 million pounds of lard had been bought for distribution to needy persons and eligible welfare institutions. Purchases of canned pork and gravy, for school lunch use, started November 6, with the total expected to be about 20 million pounds.

On the promotion front, the Department of Agriculture is cooperating with the livestock and meat industry in a broad campaign to encourage wider use of pork. Retail outlets, restaurant groups, and farm organizations are taking part in this effort. The Department itself is releasing a great deal of information material through the trade, newspapers, and radio and television stations. The overall objective is to call consumer attention to the large and desirable supply of pork products available now.

I said there are some things the Government <u>should</u> <u>not</u> <u>do</u>. Various proposals have been made from time to time, some of them in the form of suggested congressional action, which would involve premium payments on the marketing of light-weight hogs, direct "compensatory" payments to producers,

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or attempts to peg hog prices through support programs. This is the type of action which the Government should not undertake.

Our neighbors on the north in Canada have been demonstrating what can happen when government intervenes directly in the pricing picture on hogs. If you want some good advice on what not to do, talk to some of the Canadian officials, as I have done recently. Or better still, recall again what happened with "egg programs" and "potato programs" in this country only a few years ago, when government stepped in to be the savior.

I need not amplify the potential dangers of this sort of "emergency" program, because I am sure the members of this conference are generally aware of the facts. Such programs, no matter how laudable the objective to help hog producers when prices are on the down side, would simply aggravate the basic problem which needs solution. We certainly have had enough experience with other well-intentioned but misguided programs to know what results could be expected.

Historically, the livestock industry has always resisted visionary schemes which promised quick cures -- at the price of government intervention. It knows that these proposed programs could hurt the industry for a long time. It knows that the right way to build soundly for the future is through action by the industry itself, with the appropriate cooperation of government agencies, under our free enterprise system.

Before closing my remarks, I should like to mention two or three special developments and problems which are of concern to hog producers -- and should be to the whole swine industry.

One concern is what is happening to the split of the consumer's food dollar. The farmer's share is down. In the middle 1940s, producers got 50 cents of the average dollar spent for all food at retail. By the middle 1950s, this share had dropped to 43 cents. It is now running at only 38 cents, and present

estimates are that it may go about a cent lower next year.

The above figures are for all foods. A check shows that marketing margins have also been widening for pork. In 1947-49, the producer's share of the retail food cost of pork was 67 percent. It was 58 percent in the July-September quarter in 1958; it was down to 47 percent in the same quarter this year.

Put another way, retail pork prices went down 15 percent from the third quarter last year to the same quarter in 1959. But farm values dropped 31 percent in the same period.

I know there are reasons for this, including increased labor and other costs, such as those for special packaging and built-in maid services, but it is easy to understand why the farm producer is concerned. Every effort to hold down or reduce these marketing margins should be made in the interests of the entire industry.

Hog producers, like other farmers, have been caught in a cost-prize squeeze. All farmers are now buying about 25 billion dollars worth of production goods annually, in addition to expenses for their own living. When prices of these goods are up, and at the same time prices received by farmers are down, the producer is pinched badly. He doesn't like it, and it does little good to tell him that inflation in the general economy is responsible.

This whole question of inflation is of basic concern to all of us. Its dangers are very real. In many ways, it hits farmers hardest of all, and they are very glad the President is giving major emphasis to this problem.

While inflation is especially disastrous for the elderly and others who must live on fixed incomes, its impact reaches everyone. We must take every possible action to hold down inflationary factors. This includes our consideration of costly government programs -- including the farm programs themselves.

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One last point. Farm industry integration is a growing fact today. We all know the changes it has brought about in the poultry industry. The farm flock for eggs and poultry meat is fast declining as a "home" industry in many areas. I do not know what the effects would be if the swine industry became extensively integrated, but I am sure that this involves potential problems which producers and others should study with great care. They will want to be in position to benefit from the good in any such developments, at the same time guarding against their dangers. Here in the Corn Belt, where hog production is concentrated, the questions will be of special interest.

I have mentioned quite a few "problem areas", but I do not want to leave the impression that I am at all pessimistic about the swine industry. On the contrary, I am convinced that the future is very good indeed if we have the wisdom to cooperate fully and plan carefully. This is a fast growing country with a dynamic economy. It will take a lot of production to meet the future market demand of an increasing population which has learned to call for a very high standard of diet.

Let's all work together, in the spirit represented by this national conference, to assure the opportunity and the freedom for the swine industry to realize its full potential.

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SUMMARY OF NOTES USED BY MARVIN L. MCLAIN, ASSISTANT SECRETARY OF AGRICULTURE, AT GREATER KANSAS CITY U.S.D.A. CLUB ANNUAL AWARDS DINNER AT WISHBONE RESTAURANT IN KANSAS CITY ON MAY 18, 1960.

"YOU ARE IMPORTANT"

1. General remarks.

I welcome the opportunity to meet with you at your U.S.D.A. Club Annual Awards Dinner. Your history is long and full of worthwhile effort. Many excellent things have come from your fine cooperative effort since you were first organized.

Surely you are better workers and serve the Department of Agriculture better because of your efforts here.

The Department of Agriculture is a big service organization. It serves not only farmers -- who come first on the list -- but it serves almost all of our citizens. You should be proud to work for the Department.

2. The organization charts of the Agriculture Department show the following breakdown. I list them with brief explanation for your information.

Secretary -- Ezra Taft Benson

Under Secretary -- True D. Morse

Assistant Secretary for Marketing and Foreign Agriculture -- Clarence Miller
- (a) Agricultural Marketing Service
- (b) Foreign Agricultural Service
- (c) Commodity Exchange Authority

Assistant Secretary for Federal State Relations -- E. L. Peterson
- (a) Agricultural Research Service
- (b) Federal Extension Service
- (c) Forest Service
- (d) Farmer Cooperative Service
- (e) Soil Conservation Service
- (f) Agricultural Conservation Program Service

Assistant Secretary for Agricultural Stabilization -- Marvin L. McLain
- (a) Commodity Stabilization Service
- (b) State and County A.S.C. Committees
- (c) Commodity Credit Corporation
- (d) Federal Crop Insurance Corporation

Director, Agricultural Credit Services -- Kenneth L. Scott
- (a) Farmers Home Administration
- (b) Rural Electrification Administration

Administrative Assistant Secretary for Departmental Administration -- Ralph S. Roberts
- (a) Budget and Finance
- (b) Administrative Management
- (c) Library
- (d) Hearing Examiners
- (e) Personnel
- (f) Information
- (g) Plant and Operations

Office of General Counsel -- Edward M. Shulman (Acting)

Executive Assistant to the Secretary -- Miller Shurtleff

3. The size of the Agriculture Department in numbers and in influence is great indeed. In order that you may better understand its scope of operation, I list the following data as of April 19, 1960:

Federal Employees	Washington Metropolitan Area	Outside Washington	Total
Full-time personnel as of May 31, 1959	10,913	60,277	71,190
Part-time personnel	264	12,559	12,823
Total	11,177	72,836	84,013

In addition to the Federal employees, the following employees are working closely with the Department and receive part or all of their pay from Federal funds, but are not counted as Federal employees:

1.	County Extension agents and professional staff of the State Extension Services	15,000
2.	Elected County ASC Committees (these work only part time)	8,862
3.	County ASC office employees (average full time employment for 1960)	22,000
4.	Elected Community Committeemen (work only a few days per yr)	81,555

4. You will note that many of the areas of operation in the Department of Agriculture are listed as Services -- such as "Commodity Stabilization Service." It is always important to remember that the U.S.D.A. is a big Service organization. Service to and for farmers and the many other groups and individuals we serve. Service should be behind all our thoughts as we go about our daily tasks. To the extent we serve others we best justify our existence.

5. Cooperation between agencies and personnel in the U.S.D.A. is highly important if we are to be of maximum service to all we serve. The cost of our programs makes it absolutely necessary that we coordinate our programs to utilize funds to the best advantage. Program operations and coordination are not perfect by any means -- but we should all strive to improve them.

6. The individual worker in the Department of Agriculture is very important. The type of work done by the employees, varies, perhaps more than in most any other department of government. Therefore, we have people of all kinds of background, education, experience and skills working for the Department. Because of this it is necessary that special effort be put forth -- from the Secretary of Agriculture on down -- to see that each individual worker is treated as a separate individual.

   When the individual worker is recognized and treated fairly, then he or she fits into the over-all operations of the Department and contributes the maximum to the efficient handling of the work load of the Department. Always remember, every individual who works for the Department is important -- no matter what his (or her) grade or skill.

7. Proper attitude in our work with farmers, and others we work for as well as fellow employees and employees of other agencies is very important. It oftentimes means success or failure for our programs. Let's try hard to always have the proper attitude.

I'd like to close my remarks with this little poem "Proper Attitude":

It's the friendly way you greet a man
Tho' you're feeling mighty tough
It's the way you smile a "Howdy"
When the day ahead looks rough.

It's the way you say "Good Morning"
And call fellow workers by name
It's mighty hard to do at times
But -- you do it just the same.

It's admitting little errors
And accepting criticism due
It's doing unto others
As you would have them do to you.

It's diagnosing troubles
To bring them to an end
And the warmth in saying "Thank you"
"Won't you please come back again."

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4/29/60
Statement
House Committee on
Agriculture

STATEMENT OF MARVIN L. MCLAIN, ASSISTANT SECRETARY, UNITED STATES DEPARTMENT OF AGRICULTURE, BEFORE THE HOUSE COMMITTEE ON AGRICULTURE, APRIL 29, 1960.

At the request of certain members of this Committee, I am here today to give you the Department of Agriculture's views on H. R. 11769, a bill "To reduce the cost to the United States Treasury of farm price and income stabilization programs, to provide means by which producers may balance supply with demand at a fair price, to reduce the volume and costs of maintaining Commodity Credit Corporation stocks, to provide for distribution to needy people and public institutions of additional needed high protein foods, to preserve and improve the status of the family farm through greater bargaining power, and for other purposes."

The Department recommends against enacting Title I, Part I, Title I, Part II, Title II, and Title III of H. R. 11769 and would not be opposed to enactment of Title IV if modified as indicated.

Title I, Part I, Nationwide Marketing Orders, would amend the Agricultural Marketing Agreement Act of 1937 in the following major respects:

1. Section 101(2) would add to present law the authority to have marketing agreements and orders on field and seed crops other than basic commodities (except tobacco), Irish potatoes, mint, onions, farm forestry products, eggs, chickens, turkeys, hops, and honey. The present authority to regulate honeybees and their products would be deleted, except for honey.

2. Section 101(3) deals with section 8c(3) of the Act, "Notice and Hearing," and would effectuate the following changes therein:

(a) In effect, it substitutes for the present standard with respect to the initiation of promulgation proceedings, "Whenever the Secretary of Agriculture has reason to believe that the issuance of an order will tend to effectuate the declared policy," the requirement that "The Secretary shall, upon request of producers," initiate a promulgation proceeding.

(b) It would provide that prior to the hearing the Secretary shall provide needed technical advisory assistance to enable producers to prepare for the hearing. There is no comparable provision in the present Act.

3. Section 101(4) adds a new paragraph to subsection 8c(7) of the act providing for the establishment of standards governing the negotiation of contractual agreements with firms engaged in marketing or processing of any agricultural commodities listed in 8c(2) concerning stipulations of prices, volume, shipping dates, transportation carrier, grades, and size and governing the terms of sale of any agricultural commodities in connection with the agreements.

4. Section 101(5) would supersede section 8c(11), "Regional application," and would effectuate the following changes therein:

(a) It would authorize marketing orders applicable to any or all production or marketing areas upon a finding by the Secretary of practicability consistent with carrying out the declared policy. Under the present act a nationally applicable order cannot be issued except upon a finding of the Secretary that regional orders would not effectively carry out the declared policy.

(b) It would eliminate the present requirement with respect to commodities and products, other than milk and its products, that orders be limited in their application to the smallest regional areas which the Secretary finds practicable.

(c) It would require where more than one production or marketing area is subject to an order, that insofar as practicable representation for each defined area be provided if a committee is appointed to administer the order. The present act has no comparable provision.

(d) It would provide that where 50 percent of the estimated total annual quantity handled of any commodity is regulated by one or more orders, upon the proposal and recommendation of the agencies administering orders covering two-thirds of the regulated volume, the Secretary must initiate a promulgation proceeding for an order applicable to all of the commodity handled. Such a comprehensive order is required to be issued if the Secretary, in addition to the findings presently required under the act, finds that it is practicable. The present act contains no comparable provision.

5. Section 101(6) deals with Section 8e of the statute relating to the control of imported commodities. This provision would add to those commodities subject to import regulations and control the following: field and seed crops other than basic commodities, mint, onions, farm forestry products, eggs, chickens and turkeys.

6. Section 102 would require that whenever a nationwide marketing order is in effect for a commodity, Part II of this Title relating to national commodity stabilization programs becomes inoperative for such commodity.

Title I, Part II, National Commodity Stabilization Program, has the following basic provisions:

1. Defines "fair price" as "parity price."

2. Whenever the Secretary determines that the estimated production and supply of any commodity (unless such imbalance would not seriously affect the level of farm income, and unless nationwide orders are in effect) without a national stabilization program would exceed estimated demand at a fair price, he shall provide for the election of a commodity program development committee unless such a committee already exists. The committee shall consist of not less than nine members who would be elected on an area basis by producers of the commodity. Only agricultural producers who obtain more than 50 percent of their income from production of the commodity involved are eligible to serve on the committee.

3. Each commodity program development committee shall develop, with assistance provided by the Secretary, and recommend to the Secretary a proposed national stabilization program for the commodity. If the Secretary finds the recommended program consistent with the objective of this act and feasible, he shall submit the program to the Congress with recommendations and comments. If not disapproved by either House of Congress within 30 days, the program would be submitted to producers for approval. If two-thirds of the producers voting favor such a program, the program will be put into effect for the next succeeding production and marketing year. Only producers whose value of the commodity in 3 of the preceding 5 years was not less than $500, or who received more than 50 percent of their value of all commodities produced on the farm from such commodity would be eligible to vote. The committee would review the program each year and such other times as deemed proper. Corn, barley, sorghum grain, oats, and rye, and wheat for feed are deemed to be one commodity.

4. The national stabilization program may include necessary production or market supply adjustment procedures to balance supply and demand, and any alternative stabilization methods in order to achieve the fair price objectives at the lowest possible cost to taxpayers, so long as it will not result in government acquisition for storage, and provided further, that total estimated cost in any one year would not exceed 10 percent of the estimated value of such commodity in such year.

5. Any national marketing quota or marketing supply adjustment program shall be equal to national quantity of the commodity which shall supply the estimated domestic and foreign market and leave a reasonable carryover, as defined in the Agricultural Act of 1949, less the estimated quantity paid-in-kind for putting land in the soil-building base, under Title III of this bill, and less 10 percent of the stocks held by CCC at the time the program goes into effect. It authorizes and directs the establishment of acreage allotments, marketing quotas, or other market adjustment programs as the Secretary determines necessary to carry out this part of the bill.

6. Amends section 407 of the Agricultural Act of 1949, as amended, by striking out the words "5 per centum above the current support price" and inserting "fair price," as defined in this bill.

7. Producers in order to be eligible for benefits under this title would be required to place 10 percent of their tillable land in the soil-building base.

8. Provisions of this part would terminate on December 31, 1965.

<u>Title II. Distribution of Protein Food</u> contains the following major provisions:

1. The Secretary of Health, Education, and Welfare would be required to undertake a program to increase the amount of dairy, poultry, and meat products distributed to needy, to institutions, and through the school lunch program.

2. If Commodity Credit Corporation stocks are not available, the Secretary of HEW is required, with CCC acting as agent, to make purchases on local markets.

3. Assurance must be obtained from recipients that they will not reduce their normal expenditures for food.

4. The Commodity Credit Corporation would be permitted to sell out of its stocks 1 bushel of corn or its equivalent in other grains, including wheat for feed, for each $2 expended for increased purchases of dairy, poultry, and meat products. Assurance must be obtained that any wheat sold for feed under this subsection is not used for human consumption.

<u>Title III, Soil-building base</u>, amends the Soil Conservation and Domestic Allotment Act as follows:

1. Provides for producers to devote not to exceed 40 percent of their tillable acreage to soil-building crops and practices rather than the growers of soil-depleting crops. A producer, in order to be eligible to receive payments in cash or kind or marketing quotas or other similar certificates that might be issued under the National Commodity Stabilization Program would be required to specifically designate for a 3-year period not less than 10 percent of the tillable land on the farm as his contributed acreage to the soil-building base. In addition, each producer may specifically designate up to an additional 30 percent of his tillable land for a 3-year period designated as government-rented acreage of the soil-building base. Tillable land is defined to mean land which has in any of the immediately preceding 5 years, been devoted to the production of wheat, cotton, peanuts, corn, oats, rye, barley, soybeans, sorghum grain, flax, dry edible beans, potatoes, or rice.

2. The producer would be required to establish and maintain vegetative cover, not harvest any crop, or graze such land in the soil-building base.

3. The Government (a) is authorized to bear up to 75 percent of the cost of soil-building crops, uses and practices on the entire soil-building base, and (b) make a payment-in-kind (if CCC stocks are not available equivalent cash or negotiable certificate at the option of the producer) equal to the number of acres designated as government-rented multiplied by two-thirds of the normal annual yield (or county yield if data are not available) per acre on the farm for the crops actually grown in the immediately preceding 3 years on the land so retired.

<u>Title IV, Wheat</u>

A. This part of the bill would amend the Agricultural Act of 1949, as amended, in several important respects for the 1961, 1962, 1963, 1964, and 1965 crops as follows:

1. Wheat support would be at 85 percent of parity only to cooperating producers and only if producers have not disapproved marketing quotas. If marketing quotas are disapproved, support would be available to cooperators and noncooperators at 50 percent of parity. In case marketing quotas are disapproved, the legal minimum sales price for unrestricted use would be calculated as though the support price was 75 percent of parity.

2. Producers would be eligible for price support on wheat provided they (a) plant within their acreage allotment (25 percent below the allotment based on 55 million acres), and (b) the total acreage devoted to the production of price-supported crops does not exceed the total average annual

acreage devoted to the production of price-supported crops in the first 2 of the immediately preceding 3 crop years (adjusted for abnormal weather, crop rotation, soil bank, and history preservation) less an acreage equal to 25 percent of the farm wheat acreage allotment as computed on the basis of a national allotment of 55 million acres.

3. If marketing quotas are in effect, payment-in-kind would be made to producers for retiring from production 25 percent of their wheat allotment (based on 55 million acres) if they do not harvest any crop from such acreage nor is such acreage grazed, and they meet the other eligibility requirements for price support. The payment would be equal in value to 55 percent of the average annual yield of wheat per harvested acre on the farm for the 3 preceding years adjusted for abnormal weather, multiplied by the number of designated acres. Payment-in-kind may be made by negotiable certificates if deemed advisable. The cash value of the certificate is computed on the basis of basic county price support rate for No. 1 wheat. In redeeming the certificate, the wheat would be valued at the market price. Payment-in-kind wheat would be ineligible for price support but could be marketed penalty free.

B. This title of the bill would also amend the Agricultural Adjustment Act of 1938, as amended, and Public Law 74, 77th Congress, with respect to the following:

1. Reduce each farm wheat allotment for the 1961-65 crop determined on the basis of a minimum national allotment of 55 million acres reduced by 25 percent.

2. Increases the penalty for the 1961-65 crops equal to double the normal yield on the excess acreage unless the actual production is established to the satisfaction of the Secretary.

3. Increases the rate of penalty on excess wheat beginning with the 1961 crop and thereafter to 65 percent of the May 1 parity price from the present 45 percent.

4. Reduces the 15-acre exemption beginning with the 1961 crop and ending with the 1965 crop to the smaller of (a) 12 acres, or (b) the highest number of acres planted to wheat for harvest in the immediately preceding 3 years.

5. Repeals effective with the 1961 crop and thereafter, the 200-bushel exemption.

6. Removes for the 1961-65 crops the 30-acre limitation on the feed wheat exemption.

7. Repeals the provisions requiring that an additional copy of all farm acreage allotment and marketing quota lists be kept available in the office of the county agent or with the chairman of the local committee.

The primary reasons for opposing the enactment of Title I, Part I, embody the following:

Effects of H. R. 11769 on the Milk Order Program

1. It would change substantially the Department's prehearing procedures and would modify the Department's responsibilities with reference to proponents of milk orders (See subsection 8c(3)).

2. It would provide that agencies whose functions are solely ministerial would have important policy functions (See subsection 8c11(C)).

3. It might deprive producers of manufacturing milk of the benefits of a stabilization program under Title II (See Part I, Section 102 and Part II, Section 157).

We believe all of the changes set out above would be objectionable.

At the present time, the Agricultural Marketing Agreement Act of 1937 authorizes the Secretary of Agriculture to hold a hearing whenever he "has reason to believe that the issuance of an order will tend to effectuate the declared policy of /̄the Act/̄". Under this authorization and pursuant to published Departmental regulations, a preliminary investigation is made before calling a hearing to see whether marketing conditions are of a nature that would be improved by the issuance of a marketing order; whether there is likely to be the necessary producer support for a program (a milk order must be approved by two-thirds or three-fourths of the producers whose milk is marketed thereunder), and whether the proposal submitted is one generally adapted to the problems found to exist and is generally authorized by the statute.

The proposed bill would require the Secretary to hold a hearing "upon request of producers." The bill gives the Secretary no discretion as to whether the proposal upon which a hearing will be held would in any way be feasible, whether it would comport with statutory standards, or whether there would be any likelihood of support by the necessary proportion of producers.

Moreover, it is required that the Secretary shall "provide needed technical advisory assistance to enable such producers to prepare and process their briefs for the hearing." The Agricultural Marketing Agreement Act places squarely upon the Secretary the responsibility for deciding whether a milk order will be issued and what its terms and provisions will be.

It is felt that the mandatory requirement with respect to the furnishing of technical advisory assistance is unnecessary and undesirable. Under the present Act, the Department is free to furnish such technical advisory

assistance in connection with the formulating of proposals by interested parties as it determines to be appropriate without compromising the fairness and objectivity of the Department in its decision-making functions with respect to the issuance of an order.

One basis for the success of the Federal order program is that it has not supplanted the activities and responsibilities of cooperative associations of milk producers. One of the most important functions which milk producers' cooperatives perform in connection with the milk order program is the preparation and submission of proposals, briefs, and testimony in connection with milk order hearings and the undertaking of the economic analysis underlying such activities. The mandatory requirement that the Department participate in this function could constitute a vehicle for the avoidance of this major function by cooperatives and reduce their responsibility for developing and maintaining adequate marketing machinery through the order program.

The bill provides "Whenever more than fifty per centum of the estimated total quantity handled in the United States of any commodity is regulated by one or more orders and the agencies administering orders 1/ covering more than two-thirds of the regulated quantities of the commodity so proposed and recommend ....," the Secretary shall consider a nationwide order. "The agencies" referred to here are the ones authorized by Section 8c(7)(C) of the Agricultural Marketing Agreement Act. Under the authority granted by this section, the Secretary appoints "market administrators" to administer milk marketing orders. Market administrators have solely ministerial functions, and they are Department of Agriculture employees. It seems quite out of keeping that the market administrators should be given an important policy function in connection with whether a hearing on a nationwide milk order should be called.

At the present time, somewhere in the neighborhood of 50 percent of the milk produced for fluid consumption is subject to Federal milk marketing orders. These milk orders have been established on a somewhat localized basis in order to accommodate to local variations which are still highly significant in the fluid milk industry. This adaptation to local necessity is another of the major reasons for the success of the Federal order program.

If the matter were left to the industry to decide, we doubt that any proposals would be forthcoming at this time or in the foreseeable future for a nationwide milk order. But, under this bill, the matter of holding a hearing after the 50 percent proportion has been reached, is a matter of discretion only for a group of ministerial agents. Moreover, the responsibility for preparing the nationwide order would rest with the Secretary and he also would have to decide on the final order.

1/ Emphasis added.

The bill provides (Part I, Section 102) that if there is a nationwide milk order there can be no stabilization program for milk under Title II. Title II defines "commodity" in a very broad way (Part II, Section 157). Milk is generally divided into two grades, i.e., manufacturing quality milk and graded milk. The milk order program, at present, applies only to graded milk. The Department's program for manufacturing quality milk is the dairy price support program. If there were a nationwide program for graded milk, and if all "milk" were considered one "commodity", the question would arise whether it would be permissible to carry out a stabilization program for manufacturing quality milk.

The price levels under the Federal order program are related to and erected upon the prices prevailing for manufacturing quality milk. If the institution of a nationwide graded milk program prevented a method of stabilizing prices for manufacturing quality milk, the effectiveness of the Federal order program would be greatly diminished because there would be no stabilization program for manufacturing quality milk.

Subsection 8c(7) is amended by adding Paragraph (e). This authorizes the Secretary to establish standards governing the negotiation of certain contracts. Among these would be one relating to the stipulation of prices.

It is not clear to us what effects this paragraph might have on the milk order program. The statute provides a specific standard for price levels in connection with the milk order program. Hence, a question arises as to how the authority in this paragraph might be used if the result were prices at a different level than those established under a milk order. At the very least, the relationship of the authority of Paragraph (E) ought to be clarified.

Other effects

Many of the effects indicated above for the dairy industry are also applicable with respect to marketing orders for fruits and vegetables. The following areas of the proposed legislation cause us great concern.

1. The provision for initiation of promulgation proceedings relative to the issuance of a marketing order. The Secretary would be required to hold a hearing upon the application of two or more producers under the proposed provision.

2. The section providing for the establishment of standards governing the negotiation of contractual agreements is ambiguous as to its scope and intent and is indefinite concerning who conducts negotiations.

3. Our experience to date indicates that regional marketing agreements and orders have proven most satisfactory. It would appear that national marketing agreements and orders should be promulgated only after very careful consideration of all the implications.

Title I, Part II, National Commodity Stabilization Program

We are opposed to provisions of H.R. 11769 as it affects the stabilization programs for the following reasons:

1. The establishment of elected farm commodity development committees as proposed under Section 152 is not desirable because (a) we already have committees of bona fide farmers and further authority in this regard as a means of assuring direct participation by farmers in formulating and developing a stabilization program is not needed and is undesirable, (b) the establishment of another set of committees as contemplated might result in the development of programs so widely different among commodities as to create widespread confusion and complications which would impair administration and understanding of farm programs.

There will be many extremely difficult problems of coordination as between programs recommended by the various committees. Also in many instances the operations and decisions of one commodity group such as feed grains would have to wait upon the decisions made by livestock producers since the demand for feed grains would be seriously affected.

2. The limitation of voting eligibility in connection with any commodity program, undertaken under authority of Part II of Title I, to those farm producers whose annual production of the commodity amounted to not less than $500 or to more than 50 percent of the value of all commodities produced on the farm in at least three of the preceding five years would both deprive a large number of affected producers of voting rights, and entail heavy administrative expenses connected with determining voting eligibility. On the basis of frequency distribution of allotments in the case of the basic commodities and census data in the case of some of the other commodities approximately the following maximum 1/ percentages of producers would be ineligible to vote:

Cotton	25 percent	Rice	10 percent
Burley tobacco	27 percent	Hogs	45 percent
Flue cured tobacco	9 percent	Cattle	55 percent
Peanuts	30 percent		

We believe that making such large groups of producers ineligible to vote on matters in which they are directly affected is a direct attack on the influence of the small family farm in American agriculture.

3. The provisions for determining the level of the national marketing quota for a commodity would operate in a manner which would sharply restrict the level of agricultural exports. This would be especially true once the CCC inventory had been liquidated. The objective of the income stabilization method utilized in connection with any national commodity stabilization program is to achieve parity for the commodity. The amount of funds available to achieve this parity price objective is limited to 10 percent of the estimated value of the annual production of the commodity. Consequently, the

1/ This number will be reduced to the extent that the 50 percent provision is applicable.

national allotment or quota for a commodity dependent upon export markets in which the world price is substantially below parity would be very low. Estimated foreign markets would necessarily have to be based upon the extent to which the 10 percent limitation on funds would enable the commodity to be exported at competitive world prices and at the same time provide the producer with return from the commodity exported equal to the parity price. It would be necessary to double the export subsidy for cotton. The export subsidy for rice would have to be increased very substantially. In view of the 10 percent limitation on expenditures the acreage allotments for cotton would be cut by approximately 30 percent and for rice about 50 percent. In addition sharp production cuts would be placed into effect for feed grains and oilseeds with accompanying export subsidies increased several times or placed into effect where none exists today.

We do not believe that two-thirds of the producers voting in a marketing quota referendum would favor a program involving such a serious sacrifice on their part. Therefore, under the provisions of this bill it is likely that the program would revert to the present one.

We are greatly concerned by the effect which would result from this proposal on cotton producers. The higher domestic prices would result in sharply reduced consumption of cotton and loss of markets to synthetics. Reduced exports would enable foreign producers to expand their acreage at the expense of U.S. producers and the stimulation of production of synthetics abroad. The Congress recognized this in 1958 and changed the law.

In the case of tobacco, a bill was recently passed by the Congress. This bill providing for supports at lower levels received the universal endorsement of the various segments of the industry. This proposal will head producers in the wrong direction -- the opposite way to which they want to go.

4. This legislation would require severe cutbacks in the level of production for hogs, cattle, dairy products, and poultry and eggs in order to obtain the price objective set forth therein.

5. A substantial increase in number of government employees to administer this type of program would be required.

6. It would result in a sharp decrease in employment in the transportation, processing, refrigerating, and related industries. Businesses, banks and similar activities, especially in rural towns, would be sharply curtailed. The volume of activity of cooperatives would be sharply reduced.

7. Consumer prices would go up sharply and inflationary pressures on wages and prices would result.

8. The posture of the U.S. government in terms of international relations would be seriously embarrassed. Not only would there be a decline in exports but every item moving in export channels would require a high export subsidy. This would leave the impression to the rest of the world that we would be using high export subsidies and sharply curtailed imports as a way of life. This would cause serious difficulties in our current strenuous efforts for trade liberalization.

9. The requirement that no provision of the proposed program, as required under Section 156(c) will result in government acquisition or storage would prevent the establishment of a nonrecourse loan program and will prohibit a purchase program as now in effect for the nonstorable commodities, such as butter, cheese, and nonfat dry milk. In many cases the type of program that would be put in effect would involve some type of compensatory payments to assure cooperating producers of not less than the parity price. Such compensatory payments are contrary to the recommendations made by the President in his February 9, 1960, farm program message to the Congress.

We are in favor of reasonable price supports with provisions for loans and purchases. Orderly marketing should be a fundamental facet of the price support program.

Title II, Distribution of Protein Food

We do not believe that it is desirable for the Secretary of Health, Education and Welfare to increase the amount of dairy, poultry and meat products distributed to the needy, to institutions, and through the School Lunch Program with an annual appropriation. Fundamentally this proposal would first utilize the powers of government to make it more difficult for people of lower incomes to purchase these highly desirable foods. Having accomplished this the government would then provide these foods at no cost to the recipients. However, the amount donated would be much less than the reduced consumption of the same groups resulting from the sharply restrictive production control program. In addition, we believe that operations of welfare assistance programs are a local responsibility.

Title III, Soil-Building Base

The Department is in favor of expanding the conservation reserve program to include as much as 60 million acres, provided a constructive wheat program is passed. However, the method proposed by Title III for establishing and designating two conservation bases, limiting the percentage of tillable land that any one producer may place in the soil-building base, in continuous soil-building use for three years, contains some self-defeating features, would be expensive to administer and would be unpopular with farmers. Experience has shown that retiring a part of a farmer's cropland results in the available labor, machinery, water, and fertilizer being concentrated on the remaining cropland.

The compulsory partial adjustment with the various required designations and uses is both irritating to farmers and wasteful of our resources in terms of impairing operations of our most efficient producers.

It should be noted that in order to obtain payments in cash or kind or marketing quotas or similar certificates the producer is required to specifically designate for a three-year period not less than 10 percent

of his tillable land as his contributed acreage to the soil-building base for his farm or farms. It should be noted that in the case of tobacco the cropland on farms with tobacco allotments amounted to over 31 million acres. The harvested acreage of tobacco in 1959 was 1,154,000 acres. This means that in order for farmers to obtain marketing quotas under these provisions they must place in the conservation reserve an acreage equivalent to about three times their acreage allotments. In the case of cotton this would mean about 6 million acres, or close to a quantity equal to 35 percent of their acreage allotments. In addition it should be noted that at the time any individual commodity referendum is held the voting producers will not know whether any additional program will ever be effectuated under this Title. No responsible administrator of this legislation could guarantee that there will be any additional programs other than the one being voted on.

For example, if the commodity stabilization program is in effect for one crop and not for the other crops produced on a farm, such producer would be required to place 10 percent of his tillable land in the soil-building base but would only derive benefits under the program for one crop which may involve a small percentage of his total cropland. A producer of this kind who has 1,000 acres of tillable land and produces only 50 acres of a commodity might be required to reduce his acreage of the crop by only 5 to 10 acres, but would be required to reduce the production of all other crops by as much as 90 to 95 acres.

A better approach in our view would involve obtaining a voluntary 100 percent reduction from those who for personal reasons are willing to make such an adjustment. Authorization is needed to give special consideration to areas where it is desirable to discourage production of crops in heavy surplus such as wheat. Authorization is also needed under this program, with proper safeguards, to make payments-in-kind from surplus stocks of feed grains and wheat, provided measures are included to keep production below total consumption while the payment-in-kind procedure is being used.

Title IV, Wheat, amends the Agricultural Act of 1938, as amended, and the Agricultural Act of 1949, as amended, relating to wheat. This provision would become operative until a national commodity stabilization program for wheat is in effect under Title I, Part II, of this bill.

This Department would not object to the enactment of these wheat provisions if modified as outlined below.

1. We are opposed to freezing the level of price support for the 1961-65 crops of wheat at 85 percent of parity, even though farm acreage allotments would be reduced by 25 percent and eligibility requirements for wheat price support would require a 25 percent reduction in the total acreage planted to price-supported crops. Such mandatory minimum levels of price support for wheat would be higher than the mandatory minimum levels in effect for other important crops such as cotton, corn and rice in the absence of a national commodity stabilization program. Thus, from the standpoint of price support it would discriminate against producers of these important crops.

The increased level of support required by this bill would provide further incentive for intensification of producer-practices leading to even higher yields. The President referred to this aspect of legislative proposals in his veto message of June 25, 1959, regarding S. 1968.

Subsidy cost involved in exportation of wheat and wheat flour would be increased under this bill by virtue of the increase in the support price to 85 percent of parity. This would occur as a result of the high domestic market price for wheat, reflecting the increased price support level.

In this respect the Department would not object to enactment of this title of the bill as modified to provide price support at 75 percent of parity for the 1961 crop, 70 percent for the 1962 crop, and 65 percent for the 1963 and subsequent crops.

2. The Department recognizes and has pointed out on numerous occasions, that the minimum national wheat acreage allotment of 55 million acres is unrealistic in view of the marked increase in wheat yields during recent years. The minimum national acreage allotment should be permanently reduced by 25 percent in lieu of reducing farm allotments by 25 percent for the 1961-65 crops.

3. With respect to the proposed modification of the 15-acre exemption, as provided in section 402(d) and the repeal of the 200-bushel exemption as provided in section 405, we feel that the bill does not go far enough if the Congress elects to follow the control route and if controls on wheat are to be effective. The Department feels that the 15-acre and 200-bushel exemptions should be repealed beginning with the 1961 crop and for each crop thereafter.

4. The elimination of the 30-acre limitation on feed wheat exemption for the 1961-65 crops as provided in section 404(c) should be made permanent.

5. The adjustment in the farm marketing excess as provided in section 403(d) is not needed because Public Law 86-419, approved April 19, 1960, adequately deals with this same provision.

6. The provision as required in section 401, that if marketing quotas are disapproved price support should be made available to cooperators and noncooperators at 50 percent of parity is acceptable.

7. The requirement that the payment-in-kind for reducing the wheat acreage by 25 percent from the allotments computed on the basis of a national allotment of 55 million acres be equal in value to 55 percent of the average annual yield in bushels of wheat per harvested acre on the farm in the 3 years immediately preceding the year for which the designation is made, adjusted for abnormal weather, and multiplied by the number of designated acres, should be changed to one-third of the normal yield established for the farm.

This change would provide the Secretary greater authority for determining the payment-in-kind required to obtain participation and would further avoid the undesirable effect of having established on farms two yield figures: namely, one used for determining the farm marketing excess and another for determining the amount of payment-in-kind.

This concludes the Department's views on H. R. 11769.

If any member of the Committee has questions, I would be glad to try and answer them.

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11/18/60
Summary of notes
Utah State Farm
Bureau Federation
Salt Lake
City

SUMMARY OF NOTES USED BY MARVIN L. MCLAIN, ASSISTANT SECRETARY OF AGRICULTURE, AT THE ANNUAL MEETING OF THE UTAH STATE FARM BUREAU FEDERATION, AT NEWHOUSE HOTEL IN SALT LAKE CITY ON NOVEMBER 18, 1960.

I sincerely welcome the invitation to speak at your annual meeting this year. I have been closely associated with Farm Bureau people and their programs for the improvement of -- not only the lot of the farmer and his family but all our citizens -- all my adult life. This is the paramount reason, why, when I was urged to join the Washington staff of A.F.B.F., it was only natural that I should decide to do so. I submitted my resignation as Assistant Secretary of Agriculture to President Eisenhower on October 12 -- he accepted it on October 27, to be effective November 30 -- just 12 days from now.

You people are all aware that the agricultural segment of our economy is still very important. You are also alert, I'm sure, to the rapid changes that have been taking place in agriculture. More important, you should be concerned about the many changes yet to come.

We do have some real problems in agriculture. This is not a new thing, as those of us who have been close to agriculture, all our lives, well understand. These problems and their solution do warrant the use of the best intelligence we can muster. In my humble judgment the answers to the farm problem will never come from politicians who know little but talk much about the problem. Rather, the answers will come when we face up to the simple economic facts of supply and demand and stop trying to legislate, by <u>guaranteed high price support laws</u>, those things that run counter to what we all know makes economic sense.

I'd like to talk to you about why I think agriculture is still very important and deserves honest, thoughtful and fair consideration by all our people. This is true even though numbers of farms and farmers continue

to decline because of the explosion we have had in "know how" in agriculture.

In approaching this subject, I'd first like to say a little about the current condition of agriculture, as I see it -- second, I'd like to review a few of the real problems facing all of us in agriculture -- and third, I'd like to discuss briefly the way we should move with our action programs for agriculture.

Now a little about the current condition of agriculture nationally.

Our nation's farm productivity is surging forward with great vigor in a irreversible and continuous technological revolution. This was never more evident than during 1958. Due in part to favorable weather, crop production climbed to a new peak -- 11 percent higher than the previous record. This huge production was achieved with the smallest planted acreage in 40 years. With good weather this production continued in 1959 and about equaled the 1958 output in total. Near final crop estimates for 1960 would appear to warrant a continuation of this production.

Although many serious problems still confront us -- our nation and our farm people move into the future in a strong position.

This is a great era of progress -- without war.

All about us we see evidence of the great progress of our nation -- new homes, new cars, record high incomes, large savings accounts, record high standards of living, and people better fed and clothed than ever before.

Total goods and services have kept pushing up to new highs -- now at a rate of over $500 billion per year.

Jobs and incomes are record high. This means strong markets for farm products.

There has been substantial financial improvement for the big majority of the nation's farm families, in many ways.

The standard of living on farms is the highest on record.

Total agricultural assets are at an all time high. Debts are comparatively low.

Per capita income, from all sources, of persons living on farms is at a near record high.

Incomes of dairy farmers are record high. Livestock prices are good. Livestock and livestock products, including dairy and poultry, account for some 55 percent of the income of farmers.

Farm exports are at an all time high -- averaging over $4 billion annually the last three years. More important -- exports continue to look good for the future.

Farm ownership is at a record high.

Farm land values are at record high levels.

Farms are better equipped and are more mechanized than ever before.

Farms have electricity with few exceptions. Over 60 percent have telephones -- and more are receiving such service each month.

There have been truly amazing achievements in agriculture. This progress will continue -- IF a favorable governmental climate -- with sound constructive laws -- are provided by the new Administration and the new Congress.

<u>Now a little about some of the real problems facing all of us in agriculture</u>.

The inflated prices that farmers have to pay for the things they buy as compared with the things they sell is one of our real problems.

Production expense for our farmers last year amounted to over 26 billion dollars. In 1940 this farm production expense was about 7 billion

dollars -- in 1952 it was 22.6 billion dollars. This was an increase of over 300 percent in 22 years. Since the end of 1952 this rapid rate of increase in production expense has been slowed down to a crawl but will continue as a threat to farm people if unwise policies are reverted to again.

Farmers are becoming much more efficient in their operations. They benefit, and they expect their customers to share in these benefits. For instance -- in 1914, an average laborer could buy a pound loaf of bread with the returns of 16 minutes' work. Today he can buy a better pound loaf for only 5 minutes' work. Farmers all over our nation are demonstrating each year further improvement in efficiency of production.

However, the farmers' share of the food dollar was 52 percent in 1944, 43 percent in 1954, 40 percent in 1958 and averaged about 38 percent in 1959. This drop is taking place in spite of farmers' increased efficiency.

Farmers have the right to expect the same efficiency from business and labor. Farmers also have the right to expect this efficiency to be passed along so that the cost of things they must buy, for production purposes, does not continue to go up and up but reverses itself and start down.

The inflationary tendency in our economy is one of the most serious domestic problems facing the American farmer and the American people today. We all remember that our good hard-earned dollar shrank in value from $1.00 to .52 cents in the twelve years preceding 1953. It has been depreciated only about .05 cents more, down to about .47 cents, in the last seven and a half years. The problems and long-term implications resulting from the threat of inflation should be of utmost concern to every one of us.

Here is what the immediate postwar inflation did to farmers in this country from 1946 to 1952. Gross farm income increased from $30 billion in 1946 to $37 billion in 1952 -- a rise of $7 billion. But realized net farm income was actually $800 million less in 1952 than it was in 1946. The inflated price of things farmers had to buy, to produce their products, more than wiped out the $7 billion gain in gross income. And even worse, these inflated costs got permanently frozen into the farmers' operating picture and they have continued to suffer ever since.

Inflation has long time as well as immediate implications to our farm people.

In 1959 about 9 percent of the farm population was 65 years and over, compared with 5 percent in 1930. Are these people in their declining years, after most of their productive years have ended, going to be forced to watch the erosion of their life savings? Half the farm population consists of people under 24 years of age. Are inflated prices going to make it more and more difficult for young people to acquire their own farms? Are soft wage settlements and undue price rises going to price agriculture out of more markets and industrial production out of farm markets? Must we allow the real value of savings bonds, life insurance, and other savings to erode away? Isn't it time we stood up and were counted on this issue? Those who say "a little inflation is inevitable, relax and enjoy it" are doing a tremendous disservice not only to our farm people but to the whole nation.

Control of inflation involves the cooperation not only of Federal, State and local governments and their programs of expenditures -- but also of business and labor in their negotiation of labor contracts, in

setting wage rates and also in pricing the many products that consumers must buy. Government can exercise restraint through its control of expenditures and credit. The President's balanced budget for fiscal year 1961 (his fourth) is a powerful factor in the fight against inflation. Business and labor must do a far better job in this area of holding the line against rising prices. The general public as well as farmers are going to demand that this be done.

Because of some of our price support and other programs, our surplus -- mostly in our price supported commodities, continues to pile up. It is now about 9 billion dollars worth again -- this in spite of heavy exports under P. L. 480 and our Soil Bank Program.

Because of the heavy costs of these programs and more important because they have not been getting the job done, we have for the last 7 plus years asked for major changes in our farm programs -- but with only minor success with the Congress. As you all know, Congress has been controlled only two of the eight years by the President's Party now holding the executive control.

Now a little about the way we should move with our programs for agriculture.

In 1958 the Congress finally did pass legislation that moved in the right direction for cotton, rice and corn. This new legislation should be given a fair trial and we have suggested this to the Congress. While the legislation does not go as far as the administration has suggested and wanted, it is at least a step in the right direction.

A tobacco bill which only partially recognizes the bad situation tobacco farmers find themselves in was finally passed by the past session

of Congress. We approved the legislation, even though it will not really solve the tobacco farmers' problem, because it was a mild step in the right direction.

We badly need new legislation for the other two basic commodities -- wheat and peanuts -- especially for <u>wheat</u>.

We have recommended that the wheat law be changed to lower the minimum price support level and relate supports to a percentage of the average market price for the last three years. We have also recommended that wheat allotments be done away with beginning in 1961. They have been completely ineffective and have caused the wheat acreage to shift from the old traditional wheat area to the 15 acre wheat farmer all over the country. In 1959 there were 690,000 wheat farmers growing less than 15 acres. This is more wheat farmers than grow over 15 acres. Only those farmers with 15 acre allotments and over are eligible to vote in a marketing quota referendum. You are also aware that most wheat farmers in reducing their acreage to meet their allotments merely shift their reduced acres into other crops such as feed grains and oilseeds. This merely shifts the problem to another group of farmers.

Support prices were never intended to be a ceiling over prices but rather a floor under prices to permit orderly marketing. They were raised during wartime to increase production. Congress has never seen fit to return price supports to peacetime conditions.

We are also asking Congress to extend the Conservation Reserve Program authorization beyond 1960. We have asked for an expansion at least up to <u>60 million acres</u>. We feel this program will also help greatly in the transition period and should be extended so that farmers

who want to voluntarily retire their land from production on a competitive basis, can do so. During the surplus emergency we now face, it makes good sense to store our surplus in the ground rather than in bins or elevators. It is also cheaper and has better public acceptance.

In addition to these changes in support levels, we asked and Congress extended P. L. 480 until January 1, 1962. This will permit us to move vast quantities of food and fiber for foreign currencies and will help in the transition in getting support prices adjusted. It should help get some new markets too.

We have asked for and received a part of added funds from Congress for an expanded utilization research program -- to find new and more uses for added farm products. This is an important area that demands more funds and action.

We have been behind the starting of the Rural Development Program to help in the adjustments that must be made with farm people. State and local people have been very helpful in guiding this program and it is now ready to be expanded and pushed as rapidly as possible. Pilot counties have started programs in some 260 counties in 31 States and the program is catching on in good shape. Getting jobs where people are and people where jobs are and helping people fit into this pattern is not easy. More and better opportunities for farm people can come through the Rural Development Program. This will also help in the transition in agricultural programs.

We have also asked to have the Sugar Act extended.

Now, just a word about blind alleys. Most people know that real changes must be made in our programs, but some want to take us down more dangerous paths.

One such alley is the Production Payment or "Brannan Type" program. In our judgment the cost would be prohibitive -- could be in excess of 10 billion dollars annually. This type program could lead to bankruptcy of all farm programs and a socialized agriculture, because a large share of farmers' net income would come from the Federal treasury. Many versions of the production payment approach have been introduced in Congress, but let no one kid you -- they all lead to a controlled socialized agriculture.

Because we accepted the principle of payments under the Wool Act, some people can't understand why we oppose such a program for other commodities. You know and we all know that wool is a deficit produced commodity in this country -- one of the very few. We are trying to increase production under the Act. How silly to think such a program would work for our other crops and products that are already in surplus.

Also the certificate or two-price plan such has been suggested for wheat, rice and cotton. This type "bread tax" approach will not be accepted by consumers -- it would permit synthetic products to take over the market -- it is unfair to producers of other commodities -- and unfair to our foreign neighbors, if all our excess were dumped in world market at whatever price they would bring. Many versions of the multiple price plan have also been considered by Congress, but all have major weaknesses and will never solve our farm problem.

In recent months another plan called -- Supply Management and Full Parity of income for farmers -- has been brought forward. This is perhaps the worst mess of foolishness that could be dreamed up to solve the farm problem. This plan would really regiment farmers -- curtail production

drastically -- skyrocket food prices -- would curtail our exports and greatly increase our export subsidy -- it would also add an army of government inspectors to enforce such regimented controls. Even former Secretary of Agriculture Wallace couldn't stomach this program. He said -- "It would require stricter controls than they have in most Communist Countries." He also added -- "Former President Roosevelt and I talked over this same income of parity scheme twenty-seven years ago and rejected it because it would require the licensing of every farm, every field and every handler of farm products."

In conclusion, I want to again point out how important a healthy, free and prosperous agriculture is -- not only to farm people themselves -- but also to our whole economy. Agriculture is constantly changing and requires changing programs if it is to stay abreast of the rest of our economy here at home and abroad. We must all be constantly alert to these changes. We must also be ever alert to other parts of our economy -- particularly those that affect our cost of operation.

Even though we have major problems facing us in agriculture, we should not be pessimistic. The future is still bright for the efficient farm operator and farm owner.

I am sure that each of you, through just such meeting as you are having here, will continue to do your part toward better mutual understanding of the problems that confront us all. As good citizens of our beloved country, we must not do less.

Each of you should also help guide the leadership in your great organization -- in the direction of using more of its good influence on the legislative branch of both your State and Federal government -- to cause them to make the changes in our farm and other laws that are so badly needed. God bless you in your efforts.

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Statement of Marvin L. McLain, Assistant Secretary, United States Department of Agriculture, before the Senate Committee on Agriculture and Forestry

April 20, 1960

I am here today to give you the Department's views on several proposed bills affecting the wheat program.

I should like to compliment the Chairman of this Committee for his conscientious efforts to come forward with a proposal to meet the crisis in wheat. It is essential that this problem be resolved at this session of the Congress. Failure to act constructively could result in irreparable harm to the entire farm price support program. We must not allow this to happen!

Before giving you our reaction to this wheat proposal, I first should like to review briefly what this Administration has done to help wheat producers. Then I should like to review the defects in the current wheat program which need to be changed to place the program on a sound basis. Then I will proceed to a discussion of the several wheat bills, along with our recommendations.

Actions taken to assist wheat producers

While we have taken many actions to assist wheat producers, we recognize that there are still many unsolved problems. Here are some of the things we have done.

We recommended and the Congress enacted, in 1954, the Agricultural Trade Development and Assistance Act, Public Law 480, to dispose of surpluses. Under this law since 1955 we have programmed the export movement of more than 1.4 billion bushels of wheat.

Every bushel of wheat exported is subsidized. The average per bushel export subsidy has been as follows:

1954-55	75 cents	1957-58	74 cents
1955-56	72.5 cents	1958-59	56.5 cents
1956-57	79 cents	1959-60	55 - 60 cents (est.)

In 1956-57 we exported 549 million bushels of wheat, the highest level in history. This is also the largest quantity ever exported by any country in any one year. In 1958-59 exports reached 443 million bushels. For 1959-60 it is now expected that exports will be about 475 to 480 million bushels.

We put into effect a wheat payment-in-kind export program which utilizes the facilities of the private trade and has had the effect of boosting the domestic price of wheat.

In order to discourage production of undesirable types of wheat we have provided for a 20-cent per bushel quality discount.

Major efforts in our wheat research program involve (1) a search for sources of breeding stocks resistant to virulent races of stem rust and other destructive diseases, (2) the development of commercially acceptable varieties resistant to sawfly and other hazards, (3) improvement in quality of all classes of wheat to better meet demands of the trade, and (4) utilization and market development.

In 1958 we recommended, and the Congress passed, Public Law 85-203, under which wheat producers failing to comply with acreage allotments would suffer some loss of wheat allotment in subsequent years. This greater penalty on non-compliance resulted in a reduction of over 1,000,000 acres of wheat in 1959 on the larger wheat farms.

<u>The Wheat Problem</u>

We now are facing a crisis in wheat. There is no denying it or escaping it. This is the problem:

1. We now expect wheat carryover stocks to reach an alltime high of about 1.3 billion bushels as of July 1, 1960. If we did not produce another bushel in 1960, we would still have enough wheat to meet all current domestic needs and probable exports and still have a carryover of about 250 million bushels.

However, a relatively large crop is already forecast for 1960 and prospects are that we will add substantially to our stocks from the 1960 crop, bringing the total Federal investment to about $3.5 billion.

2. The reasons for this buildup are these:

(a) Yields - A fantastic increase has occurred in yield per acre due to exceptionally good weather and improved cultural practices. The record yield of 27 bushels per acre in 1958 was up about one-fourth. The average for the last four years of 22.6 bushels is well above the average yield for any similar period in history.

(b) Too large a minimum national acreage allotment - Twenty years ago when the Agricultural Adjustment Act of 1938, as amended, set a minimum national acreage allotment of 55 million acres, yields were less than 13 bushels per planted acre. In the 1950's average yields have been nearly 18 bushels. A normal wheat crop on this minimum will produce 1.2 billion bushels, or about 100 to 150 million bushels more than total requirements at current support levels.

(c) Compliance on a harvested basis - The law was amended to determine compliance with allotments and quotas on the basis of the harvested rather than a planted basis. Under this provision farmers can overplant, keep the best acreage and destroy the poorest. This tends to increase the yield per harvested acre.

(d) 15-acre exemption - In 1941 Congress exempted farms producing 15 acres or less from marketing quotas. The number of farms coming under this exemption has expanded, year by year, resulting in a cutback in acreage allotments allowed in the areas not using this provision and

an increase in carryover of wheat. In 1959 the farms exceeding their allotments under the 15-acre exemption planted two and a half times their allotments -- 4.6 million acres more than their allotments.

Farms Seeding in Excess of Allotment Under 15-Acre Exemption

	1956 (est.)	1957 (est.)	1958	1959
Number of farms	537,933	624,848	647,070	689,636
Allotted acres	2,014,129	2,340,819	2,593,554	3,062,155
Wheat acres	5,196,073	6,564,565	7,101,922	7,646,207

S. 2759

The major features of this bill which would become effective with respect to 1961 and subsequent crops are as follows:

1. Provide price support at 80 percent of parity for the 1961 crop, 75 percent for the 1962 crop, 70 percent for the 1963 crop, and 65 percent for the 1964 and subsequent crops.

2. Reduce each farm wheat acreage allotment by 20 percent for the 1961 crop and 25 percent for the 1962 and subsequent crops.

3. Deter the diversion of such acreage reduction to other price supported crops in 1961 by conditioning wheat price support on reducing the total acreage of price supported crops on the farm below the 1958-59 average by an acreage equal to the reduction in the wheat allotment.

4. Provide a payment-in-kind in 1961 on the acreage diverted equal in value to one-third of the three-year (1958-60) average yield per harvested acre on the farm.

5. Impose penalties on the actual yield of any excess acres, or double the normal yield if the actual yield is not established by the producer.

6. Increase the marketing penalty on excess wheat to 65 percent of parity from the present 45 percent.

7. Reduce the 15-acre exemption to 12 acres and restrict it to farms which seeded wheat for harvest in 1958, 1959, or 1960 and to producers who produce wheat on only one farm.

8. Remove the 30-acre limitation on the feed wheat exemption.

9. Repeal the authority for making price support available to non-cooperators for any basic agricultural commodity.

If it is decided by the Congress to approach a solution to the wheat problem by means of more stringent controls over wheat production this bill makes a big step in that direction. If this is the direction the Congress insists on going we would not be opposed to this bill if the following amendments were made. Our changes are primarily related to levels of price supports and to making controls more effective.

1. Provide price supports at 75 percent of parity for the 1961 crop, 70 percent of parity for the 1962 crop, and 65 percent of parity for the 1963 and subsequent crops.

2. Reduce each farm wheat acreage allotment by 25 percent for 1961 and subsequent years.

3. Prevent a diversion to other price supported crops by providing in 1961, 1962 and 1963:

    (a) Conditioning price support for wheat on reducing below the Soil Bank base by an amount equal to the reduction in the wheat allotment.

    (b) Making a payment-in-kind during this three-year period on the additional acreage diverted equal to one-third of the 1958-60 average yield per acre and placing this acreage in the conservation reserve for three years.

4. Eliminate the 15-acre and 200-bushel exemptions.

With these amendments we feel that this would be a control program and that inventories would be reduced.

Committee Print:

The major features of Title I of this wheat bill are:

1. It relates to the 1961, 1962, and 1963 wheat crops only.

2. It provides that for those three years price support to cooperators shall be $1.80 per bushel if marketing quotas have not been disapproved. If disapproved price support shall be 50 percent of parity to cooperators.

3. The acreage allotment on each farm shall be reduced by 20 percent.

4. It deters diversion to other price-supported crops by conditioning wheat price support to a reduction in the total acreage of price-supported crops on the farm below the 1958-1959 average acreage by an acreage equal to not less than the 20 percent cut in the wheat allotment.

5. It provides payment-in-kind on the acreage so diverted equal in value to one-third of the three-year average 1958-1960 yield per harvested acre on the farm. Such wheat may be marketed but is not eligible for price support.

6. It imposes penalties on the actual yield of any excess acres, or double the normal yield if the actual yield is not established by the producer.

7. It increases the marketing penalty on excess wheat to 65 percent of parity from the present 45 percent.

8. It reduces the 15-acre exemption to 12 acres and restricts it to farms which seeded wheat for harvest in 1958, 1959, or 1960 and to producers who produce wheat on only one farm. Eliminates the 200 bushel exemption.

9. It removes the 30-acre limitation on the feed wheat exemption.

10. Title II provides that if the Secretary determines that the production control program provided in Title I will not bring about a reduction in supplies in line with demand, the Secretary may proclaim a national wheat marketing quota of 800 million bushels.

In addition Title II provides that:

(a) The quota shall be apportioned to States, counties, and farms.

(b) A producer would be subject to a penalty on any wheat harvested on the farm in excess of the farm marketing quota. The penalty rate would be 65 percent of May 1 parity.

(c) No marketing penalty is due if the normal production of the acreage seeded to wheat is less than 200 bushels, but this exemption shall not be applicable if (1) no wheat was produced on the farm in 1958, 1959, or 1960, or (2) any producer who shares in the wheat crop on the farm also shares in the wheat produced on any other farm.

(d) A feed wheat exemption of 1,000 bushels is provided.

(e) If more than one-third of the producers voting in the marketing quota referendum oppose them, the Secretary shall suspend them.

(f) CCC is permitted to sell for unrestricted use, at 5 percent above the current support price, without carrying charges, an amount of wheat equal to the quantity above 800 million bushels which will be needed for domestic use and exports.

(g) Title II would establish a national marketing quota for any marketing year of 800 million bushels. Under procedures set out in the bill this quota would be allocated to the wheat farms in the United States in terms of bushels. Section 355(a) would make the producer liable for a penalty at the rate per bushel of 65 per centum of

parity for all wheat harvested on the farm in excess of the farm marketing quota. Section 335(b) would require the producer to pay the penalty on the excess within the time fixed by regulation unless the excess was stored or delivered to the Secretary. There is no general exemption for wheat fed. However, Section 335(i) sets up a feed-wheat exemption similar to the present law, except that the acreage required to produce 1,000 bushels on the basis of normal yield is substituted for 30 acres.

Under the present law the excess may be initially determined from the acres of wheat on the farm which are actually measured and normal yield which is established under the formula in the Act. Under Title II in order to determine the amount of penalty or the amount to be stored or delivered to the Secretary, if any, or the amount subject to re-allocation under Section 338, it would be necessary to determine the actual production of all wheat harvested on each wheat farm. This would present a formidable administrative task.

If it is decided by the Congress to approach a solution to the wheat problem by means of more stringent controls over wheat production this bill makes a big step in that direction. If this is the direction the Congress wishes to go, we would not be opposed to the bill if the following amendments were made. Our changes are primarily related to levels of price supports and to making controls more effective.

1. Provide price supports at $1.80 per bushel for the 1961 crop, 70 percent of parity for the 1962 crop, and 65 percent of parity for the 1963 and subsequent crops.

2. Reduce the national minimum acreage allotment by 25 percent for 1961 and subsequent years.

3. Prevent a diversion to other price supported crops by providing for 1961, 1962 and 1963:

(a) Conditioning price support for wheat on reducing the total acreage of non-conserving crops below the Soil Bank base by an amount equal to the reduction in the wheat allotment.

(b) Making a payment-in-kind during this three-year period on the additional acreage diverted equal to one-third of the 1958-1960 average yield per acre and placing this acreage in the conservation reserve for at least three years.

4. Eliminate the 15-acre and 200-bushel exemptions.

5. Make legislation permanent.

6. Eliminate Title II.

With these amendments we feel that this would be a control program and that CCC inventories would be reduced.

S-3159

Description

The proposed Wheat Marketing Act of 1960 (S. 3159) eliminates acreage allotments for wheat in 1961. Beginning in that year all wheat produced is placed in two use categories -- primary and secondary. Wheat for primary uses includes wheat for human food in the United States and by U. S. armed forces overseas, wheat processed into food products for export and all unprocessed wheat exported (apparently including U.S. government donations and feed wheat). Secondary use wheat includes all other wheat whether marketed or not, including wheat used for feed, seed and industrial use, plus over-quota wheat still stored on farms.

Under this legislation the Secretary would be required to estimate each year the amount of wheat needed for primary uses. Marketing certificates would be issued to wheat producers in an amount equal to the estimated

primary use requirements, minus 150 million bushels. These 150 million bushels could be sold by CCC at not less than the parity price for wheat. However, as will be pointed out later, these 150 million bushels are reduced by other actions required by this legislation.

The individual farm certificates for primary use wheat will be apportioned on the basis of past history and normal yields. To be eligible to receive certificates for the sale of primary use wheat, producers would be required to place 10 percent of their farm wheat base acreage into land retirement soil conserving use. No payment will be made to producers for this initial 10 percent. An additional 10 percent of the wheat base acres also must be placed in the Conservation Reserve or other land retirement program to the extent that funds are available for such land retirement.

A special provision is made for farmers having a base acreage of less than 15 acres. If a producer is dissatisfied with his base acreage, he may apply to the Secretary who is <u>required</u> to establish an adjusted base acreage for the farm of not to exceed <u>the smaller of</u> 15 acres or the average acreage seeded to wheat for harvest as grain during a previous period, times the ratio of the total base acreage of the county for 1960 to the total acreage allotment of such county. State and county shares of the national primary use requirement <u>shall be increased</u> by the amounts necessary to reflect these increases. CCC <u>is required</u> to purchase an amount not to exceed such increased shares if at any time during the marketing year prices received by farmers for primary use wheat drop below 90 percent of parity.

In addition, CCC is required to purchase any wheat which the producer certifies was produced in prior years and could have been sold without the payment of penalty or any wheat which was in channels of trade on the effective date of the act. This means that there will be a tremendous holding

movement by farmers and speculators with respect to 1960 and earlier crops of wheat in order to obtain substantially above the current support levels.

Only the price received by farmers for the primary use wheat will be considered in computing parity for wheat in the future. This will have the same escalation effect on the parity level as was so clearly visible in the case of tobacco in recent years.

Secondary use wheat will not be supported and will be sold in the open market at whatever level it will bring in direct competition with feed grains.

Analysis

1. In view of the fact that the objective of this legislation would be to reach a primary market price of about 60 cents above current levels, it is obvious that the export subsidy would have to be increased by a comparable amount above current levels. This would make the export subsidy in the neighborhood of $1.15 per bushel.

2. Those farmers who have been eligible for the 15-acre exemption had an average acreage allotment in 1959 of 4.4 acres. This would mean that their base acreage would approximate 6.5 acres per farm. They actually planted an average of 11 acres per farm. This would mean that after the adjustment for the ratio as provided in the law, these farms would have a base acreage of approximately 15 acres per farm, or an increase of approximately 8.5 acres per farm. If this average increase is multiplied by approximately .6 to adjust down to a primary market share, then the average increase per farm would be approximately 5.0 acres. Since there are 690 thousand farms this would mean that the Commodity Credit Corporation would have to purchase the average production from 3.5 million acres,or about 90 million bushels. This offsets to a very large extent the 150 million bushels which the CCC is authorized to sell at parity under this legislation.

3. As indicated earlier, passage of this legislation would result in a tremendous holding movement by farmers and speculators with respect to 1960 and earlier crops of wheat. The fact that these quantities will be withheld from the markets for sales at substantially higher prices to the government would also mean that those farmers, who in the past have over-planted their allotments and now hold substantial stocks of wheat, would be in a position to market the penalty wheat at substantially higher prices. This would constitute a windfall to past non-cooperators.

4. It is obvious that the quantity produced in excess of the primary needs would be sold off farms where produced into feed channels. If we assume a production of approximately 400 million bushels of secondary use wheat, this would mean that an equivalent amount of feed grains, mandatorily supported, would probably flow into CCC inventory. This would simply be a further extension of the effects of past control programs under which producers of some basic commodities diverted acreages into feed grains. Between 1953 and 1959 there was an increase of feed grain acreage of 11 million acres.

5. Passage of this legislation would result in the impression abroad that the United States is dedicated to higher export subsidies as a permanent means of resolving agricultural problems. This will create problems in current negotiations for trade liberalization.

6. It undoubtedly would result in higher costs of flour and other wheat products to the American consumer.

7. The problems of policing this type of legislation are exceptionally great. There will be required a new army of bureaucrats to engage in this policing action.

On February 9, 1960, the President forwarded to Congress a special message on agriculture. In this message, the President said:

"I have repeatedly expressed my preference for programs that will ultimately free the farmer rather than subject him to increasing governmental restraints. . . . I will approve any constructive solution that the Congress wishes to develop, by 'constructive' meaning this:

"First, that price support levels be realistically related to whatever policy the Congress chooses in respect to production control, it being recognized that the higher the support the more regimented must be the farmer.

"Second, that price support levels not be so high as to stimulate still more excessive production, reduce domestic markets, and increase the subsidies required to hold world outlets.

"Third, for reasons long expressed by the Administration, that we avoid direct subsidy payment programs for crops in surplus; likewise we must avoid programs which would invite harmful counter measures by our friends abroad, or which, while seeking to assist one group of farmers, would badly hurt other farmers.

"Within these three guidelines, I am constantly ready to approve any one or a combination of constructive proposals. . . .

" . . . If the Congress should so act, I urge an orderly expansion of the Conservation Reserve Program up to 60,000,000 acres, with authority granted the Secretary of Agriculture to direct the major expansion of this Program to areas of greatest need."

In accordance with the President's recommended preference, we are proposing the following wheat program:

1. <u>Conservation Reserve</u>: Extend the Conservation Reserve for three years with authorization to place up to 60 million acres in the program. Provide authorization for the use of corn and other feed grains and wheat

as payment-in-kind. Provide authorization for giving special consideration to acres where it is desirable for soil conservation and production adjustment purposes to discourage production of wheat and other surplus crops.

2. Wheat:

(a) Eliminate acreage allotments and marketing quotas for wheat beginning with the 1961 crop.

(b) Establish price support levels for each of the crops of wheat harvested in 1961, 1962, and 1963, equal to 75 percent of the average price received for wheat by farmers during the three preceding calendar years.

(c) Establish a level of price support for the 1964 crop of wheat and thereafter at 90 percent of the average price received by farmers during the three preceding calendar years.

(d) Establish a minimum CCC resale price for wheat beginning July 1, 1961 based upon 100 percent of the three-year average price for wheat used in establishing the price support level in effect.

This combined approach has as its objective that of achieving a balance between resource use and markets by aiding farmers to shift resources out of agriculture and lessening the intensity with which some others are used. Transferring some land from crops to growing grass is an illustration. This undeniably involves difficult problems, but it is the route which holds the best prospects over the long run.

Such a program must be highly selective if adjustments are to be made where they should be made -- in the commodities and classes of commodities in surplus, in the right areas and on the right farms. They should be voluntary responses to inducements provided from public funds.

On April 5, S. 3336 was introduced. This bill is similar in many respects to the Administration's recommended preference.

1. Acreage allotments will be eliminated beginning with the 1961 crop.

2. Price supports for wheat would be based on the support level for corn with reasonable adjustments for weight and other factors. However, the price support for wheat for the 1961 crop would not be less than 120 percent of the estimated level of price support for the 1961 crop.

3. Sales of CCC stocks of wheat would be limited as follows:

(a) No net sales of wheat would be made at less than 150 percent of the then current support prices for wheat plus reasonable carrying charges.

(b) Sales of wheat from CCC stocks under P.L. 480 could not exceed the average level of such sales in the marketing years 1957, 1958 and 1959.

(c) CCC stocks could be used for donations to friendly nations.

4. The Soil Bank is extended for three years with a 60-million acre conservation reserve objective.

While we prefer our own proposal, this legislation fulfills the criteria enunciated by the President and would be acceptable, with minor amendments.

We would recommend a program providing greater freedom. But on the other hand if Congress decides to provide for a control program for wheat it is absolutely essential that the many loopholes be closed and that effective actions be taken to reduce production until surpluses are eliminated.

Conclusion

Continuing the present program will mean a further buildup in carryover stocks. This could mean a breakdown of all price support programs. Congress has proved that it can act swiftly. There is time for action in this session.

Congress has it within its power to enact a sound, realistic wheat program. By doing so wheat producers may be saved from eventual disaster -- disaster which could put in jeopardy all farm price support programs. None of us wants this to happen. We must not let it happen.

We are deeply appreciative of the difficult legislative decisions with which this Committee is faced. We are anxious to be of assistance.

We will supply promptly any further factual data available and the best judgments that can be had from the Department on any proposals.

As the President has said to Congress, "The situation calls for prompt and forthright action."

The draft of the Department's recommended bill is attached.

A BILL

A bill to provide a more effective program for wheat and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Title I of the Agricultural Act of 1949, as amended, is further amended by adding at the end thereof the following:

"Sec. 106. Notwithstanding the provisions of section 101 of this Act, price support for wheat beginning with the 1961 crop shall be as follows:

(a) The level of price support to producers for the 1961 crop of wheat, the 1962 crop of wheat, and the 1963 crop of wheat, respectively, shall be 75 per centum of the average price received for wheat by farmers during the three calendar years immediately preceding the calendar year in which the marketing year for such crop begins.

(b) The level of price support to producers for the 1964 crop of wheat and each subsequent crop of wheat shall be 90 per centum of the average price received for wheat by farmers during the three calendar years immediately preceding the calendar year in which the marketing year for such crop begins."

The Secretary shall determine and announce the level of price support for each crop of wheat in advance of the planting season on the basis of the statistics and other information available at that time, and such price support level shall be final.

Sec. 2. The Agricultural Adjustment Act of 1938, as amended, is amended by adding the following new section after section 338:

"Sec. 339. Notwithstanding any other provision of law, acreage allotments and marketing quotas shall not be established for the 1961 and subsequent crops of wheat."

Sec. 3. Section 407 of the Agricultural Act of 1949, as amended, is further amended by changing the period at the end of the third sentence thereof to a colon and adding the following:

"Provided further, That, beginning with the marketing year for the 1961 crop of wheat, for the purpose of determining the minimum sales price for wheat, the current price support level therefor shall be deemed to be equal to 100 per centum of the three-year average price for wheat used in establishing the current price support level for wheat."

Sec. 4. Section 108(b) of the Soil Bank Act is amended by adding at the end thereof the following:

"Effective beginning with 1961, the Secretary shall give special consideration to those States and regions where it is desirable for soil conservation or production adjustment purposes to discourage the production of wheat and other surplus crops as determined by the Secretary."

Sec. 5. Section 109 of the Soil Bank Act is amended:

(1) by amending subsection (a) to read as follows:

"(a) The Secretary is authorized to formulate and announce programs under this subtitle B and to enter into contracts thereunder with producers during the eight-year period 1956-1963 to be carried out during the period ending not later than December 31, 1972, except that contracts for the establishment of tree cover may continue until December 31, 1977."

(2) by amending subsection (c) to read as follows:

"In carrying out the Conservation Reserve Program, the Secretary shall not at any time enter into contracts which together with contracts then in effect cover more than 60 million acres."

Sec. 6. Effective beginning with contracts entered into after the date of this Act, Section 107 (b)(2) of the Soil Bank Act is amended by adding at the end thereof the following:

"The Secretary is authorized to provide for payment of the annual payment through the issuance of certificates which the Commodity Credit Corporation shall redeem in wheat or feed grains in accordance with regulations prescribed by the Secretary."

Section 7. Section 211 of the Agricultural Act of 1956 is amended by striking out "three years" wherever it appears therein and substituting "six years".